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SUBJECT: ICELAND: THE PROGRESSIVE PARTY -- AN OVERVIEW

11. (U) Summary: The traditionally agrarian Progressive Party is looking to the 2009 elections as a chance to reclaim lost glory and its historical role as the deciding factor in governing coalitions on both ends of the political spectrum. The party -- Iceland's second-largest for most of the last century -- suffered mightily at the polls in 2006 and 2007 from perceptions of cronyism and corruption. Support has decreased still further since then despite attempts to modernize the party, which seem to have widened internal disputes rather than overcome them. Four chairmen in three years have not managed to bring the disagreements to a close, but many are hopeful that a new young chairman can finally unify the party. The party is pro-NATO and until recently was against, or at best ambivalent towards, the EU, but has shifted more to a pro-EU platform in the last few months. The PP is currently defending the Social Democratic Alliance/Left-Green Movement minority coalition and claims to prefer a leftist government after the upcoming parliamentary elections. End Summary.

12. (SBU) The Progressive Party (PP) was established in 1916. For most of the twentieth century it was the second largest party in Iceland, but its poll numbers have slipped in recent years. The constituency is largely rural and agrarian, closely connected with the cooperative movement in Iceland. The PP has frequently played a kingmaker role, given the inability of any one party to win an outright majority on its own. Icelanders describe the party as "open at both ends" because of its ability to form coalitions on both the left and right of the political spectrum.

13. (SBU) Former party leader Halldor Asgrimsson (1994-2006), who was Prime Minister in the IP-PP coalition from 2004-2006, attempted to modernize the party and increase its appeal to urban voters, but he proved mostly unsuccessful in this endeavor. Asgrimsson stepped down as chairman of the party after the municipal elections in May 2006 when the PP suffered its second-worst electoral outcome ever. The party was also embroiled in discord between the rural and agrarian component of the party -- led by Deputy Chair Gudni Agustsson -- and the urban faction associated with Asgrimsson. Asgrimsson bypassed Agustsson when he handpicked technocrat Jon Sigurdsson for the chairman position. This only further complicated intra-party arbitration, and Sigurdsson did not succeed in settling the disagreements in the party. Sigurdsson led the PP through the 2007 parliamentary elections where it suffered its worst outcome in any parliamentary elections, receiving only 11.7 percent of the national vote.

14. (SBU) In the 2007 campaign, the Progressives were hamstrung by the public's perception that the party was rife with cronyism that was just shy of outright corruption. In what became an emblematic case, about a month before the election the Althingi granted Icelandic citizenship to the soon-to-be daughter-in-law of Minister of Health Jonina Bjartmarz under circumstances in which political connections seemed to many to be the deciding factor. Given its command of the Ministry of Industry and Commerce, the party also took the brunt of controversy over expansion in the aluminum sector and resulting environmental concerns. Many Progressives complained

that somehow their coalition partner, the Independence Party, reaped all the credit for Iceland's booming economy while the PP was left to take the blame for unpopular side effects of the expansion. The party was hammered on Election Day, dropping from 12 Althingi seats to seven and failing to win a single seat in the Reykjavik district.

Though the IP-PP coalition still held a one-seat majority, IP Chair Geir Haarde chose instead to build a larger majority with the Social Democratic Alliance, leaving the Progressives out in the cold.

15. (U) Sigurdsson resigned as chairman after the elections and was replaced by Deputy Chairman Gudni Agustsson. This opened a window of opportunity for Agustsson to guide the party back to its traditional roots to try to regain some of the recently lost support. Agustsson was ineffective at unifying the broken party and the PP did not bounce back in opinion polls. In November 2008, he resigned suddenly from the position of chairman after a bitter central committee meeting at which the party's youth wing made clear its unhappiness with his leadership. Deputy Chairman Valgerdur Sverrisdottir headed the party until the January 2009 party national congress where the party elected a new leadership. Sverrisdottir herself did not seek election as chairman and when early elections were called for April 2009 announced that she would be retiring from politics.

16. (U) The national congress was historic for two reasons. First, an outsider was elected chairman of the party for the first time, namely 34-year-old Sigmundur David Gunnlaugsson, who had joined the party only one month earlier. Though Gunnlaugsson's father had represented the party in parliament in the 1990s, Gunnlaugsson had no prior political experience. Second, the PP resolved at the congress to support starting accession negotiations with the European Union (EU) given certain preconditions.

17. (SBU) During the January public demonstrations in Iceland when the majority coalition was teetering on the brink of collapse, the PP, under the leadership of new chairman Gunnlaugsson, informed the Social Democratic Alliance (SDA) and the Left-Green Movement (LGM) that if they were to form a minority coalition, then the PP would defend it. On February 1, the SDA and LGM did indeed form a minority coalition government and the PP pledged to defend it against no-confidence motions in the Althingi. For the first few weeks after the new chairman was elected, the party surged in the polls, at times measuring at over 20 percent. Support has started to dwindle since then as the party has struggled at finding the balance between defending the government -- and therefore bearing some of the cost of unpopular decisions -- and not having any direct influence over the SDA-LG coalition's policies.

18. (SBU) Gunnlaugsson's lack of experience in the political arena is also raising doubts. The new party chair has in recent statements all but excluded cooperation with the Independence Party after the elections, but then in mid-March has also harshly criticized the SDA for not being a "real" party and called the SDA's credibility into question. At the same time, Gunnlaugsson's praise for the LGM has bordered on the saccharine, something of a break from tradition for the centrist Progressives. Some believe that although the party appears to be courting leftist elements, this could be a political ploy and the PP could go back to its kingmaker role again, joining either the center-right or the center-left forces in parliament.

19. (SBU) On foreign affairs the PP is pro-NATO, and took on a more modern view on western defense cooperation under Asgrimsson, with Icelandic participation in peacekeeping and post-conflict reconstruction efforts. The party had advocated U.S. withdrawal from Naval Air Station Keflavik in the (unspecified) long term, but Asgrimsson had personally favored a U.S. presence and expressed his personal feelings of betrayal in the harshest terms. While the party had traditionally been anti-EU, Asgrimsson attempted to sway the party to a more EU-friendly position and had scandalized many in 2006 with a prediction that Iceland would become a member by 2015. Subsequent chairmen have all been pro-EU with the exception of the traditionalist Agustsson. Their efforts to move the party in the direction of Europe eventually came to a head at the national congress in January where the party decided to drastically modify its position and stated its preference for starting negotiations with the EU. That said, Chairman Gunnlaugsson's position on the EU can best be described as "open" to EU membership rather than as advocacy. He is otherwise something of a tabula rasa on foreign policy issues.

